



## Client Articles

### Is There a Role for Growth in Your Portfolio Strategy?

#### Description

This article will help readers answer the question, "What is the role of growth in my portfolio?"

#### Body

Market returns in recent years have highlighted the cyclical nature of equity investing styles. Regardless of the latest trends, however, many investors continue to ask themselves, "What is the role of growth in my portfolio?"

#### Shades of Growth

When deciding how much of a portfolio to allocate to growth or value stocks, it's important to understand how they differ. Generally speaking, growth stocks have often produced higher earnings and have prices that have typically risen faster than the overall market.

Depending on their objectives, growth-oriented investors may take different approaches to security selection. Aggressive growth investors, aiming to maximize capital gains, may invest in companies with the potential for especially rapid earnings growth, which could include corporations in developing industries or small but fast-moving companies. Because these stocks may be volatile in the short term, they may be appropriate for investors with a longer-term time horizon. More traditional growth funds also strive for capital appreciation, but attempt to temper short-term ups and downs by focusing on established companies. Some growth managers, proponents of a strategy called growth at a reasonable price (GARP), try to blend strong earnings and good value.

Value stocks, in contrast, typically sell for prices that are lower than comparable securities, often because the issuing companies have experienced an earnings disappointment or other setback or simply haven't been widely followed by the market. In other words, value stocks are those judged by investors to be bargains with unrealized potential. Value stocks may be more likely to pay dividends.

#### A Long-Term View

Growth and value stocks historically have taken turns outperforming one another, partly because they react differently to economic and market developments. And the conventional wisdom about when each outperforms doesn't always hold up. Because no one knows for sure what will happen next, many financial advisors recommend owning both growth and value funds.

The growth/value decision does not have to be either/or. Your financial advisor can help you decide on an allocation that balances the two styles and suits your risk tolerance and time horizon.

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